June 2023

**Inflation Puts Technology on the Menu for Restaurants**

B2B and Digital Payments Tracker® Series

- Restaurants Have Their Plates Full Amid Crisis
  P. 04
- Serving Up Automation to Ease Restaurant Woes
  P. 10
- Restaurant Success Hinges Increasingly on Technology
  P. 14
- Chain Restaurants Lead on Innovation
  P. 20
What’s Inside

04 Restaurants Have Their Plates Full Amid Economic Crisis
The food services industry is struggling with widespread staffing shortages, with 78% of restaurants lacking enough staff to support customer demand.

10 Serving Up Automation to Ease Restaurant Woes
Wendy’s partnered with Google to automate its drive-thrus with AI, and OrionStar Robotics and Rocky Mountain Robotech revealed an AI-powered robot for restaurants.

14 Restaurant Success Hinges Increasingly on Technology
A survey found that 75% of restaurant operators plan to adopt new technology in 2023 to address their labor and cost challenges.

20 Chain Restaurants Lead the Way With Innovation
PYMNTS found that only 40% of independent restaurants are offering curbside pickup versus 63% of restaurant chains.

22 An Insider on the Importance of Restaurants Meeting Customers Where They Are
Amid mounting consumer frustration over the restaurant experience, an industry insider explains why restaurateurs need to understand their customers thoroughly for technology to help.

26 Innovation Will Stay on the Menu
The global QSR market is expected to grow by 3.5% between 2022 and 2030, driven by consumers’ craving for convenience.

28 About
Information on PYMNTS and American Express

Acknowledgment

The B2B and Digital Payments Tracker® Series is produced in collaboration with American Express, and PYMNTS is grateful for the company’s support and insight. PYMNTS retains full editorial control over the following findings, methodology, and data analysis.
Restaurants Have Their Plates Full Amid Economic Crisis

The restaurant industry is in another crisis. Having just emerged from the severe disruptions of the pandemic, which caused more than 70,000 restaurants to close permanently and the rest to adapt how they operated, food service providers are now under pressure from a troubled economic landscape.

Persistent supply chain issues and high inflation have led to sharp rises in operational costs, forcing restaurant owners to raise prices to keep up. In 2022, 87% of restaurant owners increased menu prices and 92% viewed food costs as a significant challenge, according to a National Restaurant Association survey.
Need to Know

Staffing shortages are hampering restaurants’ ability to provide quality service.

At the same time as inflation eats into restaurants’ profits, the industry is also experiencing severe labor shortages. Since the pandemic, restaurants, hotels and others in the hospitality industry have struggled to attract new employees and retain existing ones, leading to more than one million unfilled jobs — as well as 78% of restaurant operators not having enough staff to support customer demand.

The hospitality sector’s labor shortages have hit restaurants particularly hard.

- Share of restaurant operators that do not have enough staff to support customer demand: 78%
- Share of restaurants that decreased their level of service as a result of staffing shortages: 32%
Customers are tipping less and ordering pickup more.

The problems with restaurant service are also influencing consumer behavior. When faced with long wait times, 38% of restaurant customers said they would tip less and 22% would leave the establishment. Further, PYMNTS found that almost half of customers are switching from delivery to pickup in response to pricier menus, and nearly 30% are tipping less.

These dynamics, if left unaddressed, could create a vicious circle in which the downward pressure on tipping leads to still more staff turnover, worse service and even less of a consumer inclination to tip. There are also indications that consumers are switching to cheaper alternatives or cutting back on eating out altogether, with some major restaurant brands reporting a dip in sales.
News and Trends

Serving Up Automation to Ease Restaurant Woes

Fast food chain Wendy’s recently partnered with Google Cloud to create Wendy’s FreshAI, a solution that automates the drive-thru process with artificial intelligence (AI). Using Google’s large language models (LLMs) to generate and understand human-like speech, Wendy’s FreshAI can receive orders and answer customer questions.

In implementing the technology, Wendy’s intends to reduce employees’ workloads and improve the customer experience, according to a press release. The chain started trialing Wendy’s FreshAI at a location in Columbus, Ohio, in June. If successful, Wendy’s will roll it out to more locations.
News and Trends

OrionStar Robotics and Rocky Mountain Robotech unveil a robot-based restaurant automation solution

At the recent 2023 National Restaurant Association Show, OrionStar Robotics and Rocky Mountain Robotech revealed an AI-powered robot for restaurants that can easily integrate into existing workflows and handle a range of tasks — helping companies improve operations and enhance the customer experience.

The robotic solution can integrate into a restaurant’s point-of-sale (POS) systems, allowing it to receive customers’ orders and process payments. The robot can also assign customers to tables, remember who ordered what and where they are sitting — and even bring the food out from the kitchen.
Restaurant Success Hinges Increasingly on Technology

The restaurant sector is transforming rapidly. Once laggards when it came to modernization, restaurants had to adopt digital tools and online sales channels overnight to survive the pandemic. Technology is now a critical part of the restaurant experience, and its importance continues to grow.

Restaurants have discovered how digital tools and modern solutions can help streamline business operations and meet consumers’ growing appetite for seamless experiences. According to a 2022 survey, 75% of restaurant operators plan to adopt new technology in 2023 to address their labor and cost challenges.
PYMNTS Intelligence

Using technology to meet the demand for convenience

Restaurants are making use of technology in a variety of ways. PYMNTS found that almost 55% of all restaurants have implemented curbside pickup and 50% have adopted mobile order ahead. The industry is also adopting technology to automate operations, with 76% of restaurants already using automation in at least three areas of operations.

Overall, restaurants are increasing their digital engagement capabilities, and consumers are eagerly embracing this. PYMNTS found that there has been an 11% increase in consumers ordering with restaurant apps, websites and aggregator tools — with more than 146 million Americans now ordering digitally in some way.

Consumers are interested in having more technology in the restaurant experience.

- Share of consumers who prefer automation over interacting with staff members in at least one area of a business: 73%
- Portion of restaurant customers who want technologies such as personalized menus incorporated into the drive-thru: 70%

While restaurants have already done a lot, consumers are interested in more innovation. To alleviate mounting wait times and deteriorating service, 70% of consumers expressed interest in applying technological aids, such as AI voice assistants, personalized menus and smartphone apps, into the drive-thru process. Already, some restaurants have started using AI voice assistants. These include Panera Bread, in its partnership with Amazon’s Alexa, and Del Taco Restaurants.
PYMNTS Intelligence

Keeping the human element in technology

Although consumers largely want more technology, restaurants must keep the human element in mind. Even younger consumers, who are the most comfortable with and eager for new tools, still want human interactions when eating out, especially for sit-down dining.

Only 17% and 18% of diners, for example, enjoy using QR codes over menus or counters. While younger consumers are the most interested in these digital tools, nearly 60% still enjoy the traditional experience of interacting with a waiter. The takeaway for restaurants is that there is no longer a single dining experience, and the best course of action is to have a smorgasbord of both digital and traditional options available, from which consumers may take their pick.
Chain Restaurants Lead the Way With Innovation

PYMNTS research reveals that while all types of restaurants are rolling out digital tools and new ordering methods, chain restaurants are leading the way. Curbside pickup is the most popular digital feature, with almost 55% of all restaurants now offering it. However, only 40% of independent restaurants are offering curbside pickup versus 63% of restaurant chains. In fact, PYMNTS found that chain restaurants are more likely to offer all the types of tools mentioned in the survey, ranging from digital wallets to kiosks for self-ordering.

<table>
<thead>
<tr>
<th>Technologies and digital features in restaurants</th>
<th>SAMPLE</th>
<th>CHAIN RESTAURANT</th>
<th>INDEPENDENT RESTAURANT</th>
<th>BOTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Curside pickup</td>
<td>54.9%</td>
<td>62.7%</td>
<td>39.8%</td>
<td>47.7%</td>
</tr>
<tr>
<td>Mobile order-ahead</td>
<td>49.5%</td>
<td>56.4%</td>
<td>30.5%</td>
<td>46.5%</td>
</tr>
<tr>
<td>Contactless cards</td>
<td>44.0%</td>
<td>49.3%</td>
<td>31.5%</td>
<td>40.6%</td>
</tr>
<tr>
<td>Drive-thru</td>
<td>42.3%</td>
<td>54.4%</td>
<td>18.5%</td>
<td>31.2%</td>
</tr>
<tr>
<td>Loyalty programs</td>
<td>36.0%</td>
<td>43.9%</td>
<td>19.7%</td>
<td>29.1%</td>
</tr>
<tr>
<td>Special pickup point</td>
<td>35.3%</td>
<td>40.5%</td>
<td>24.1%</td>
<td>31.2%</td>
</tr>
<tr>
<td>QR codes to visualize the menu</td>
<td>28.9%</td>
<td>31.5%</td>
<td>20.5%</td>
<td>28.4%</td>
</tr>
<tr>
<td>Digital Wallets</td>
<td>28.5%</td>
<td>32.2%</td>
<td>19.8%</td>
<td>25.9%</td>
</tr>
<tr>
<td>Card on file</td>
<td>26.1%</td>
<td>31.0%</td>
<td>17.6%</td>
<td>21.1%</td>
</tr>
<tr>
<td>Order using self-service kiosks</td>
<td>23.5%</td>
<td>28.7%</td>
<td>11.4%</td>
<td>19.9%</td>
</tr>
</tbody>
</table>

Source: PYMNTS
N = 2,391: Complete responses, fielded April 25, 2022 – April 28, 2022
Insider POV

An Insider on the Importance of Restaurants Meeting Customers Where They Are

For restaurateurs, really understanding who their customers are is central. There’s no doubt that certain demographics, certain types of customers want to buy in specific ways, and they don’t necessarily want to cross certain boundaries.

BILL FULTZ
Vice president of point of sale

Heartland

As restaurant customers’ frustration over poor service and higher prices mounts, an industry insider explains why restaurateurs need a thorough understanding of their customers — rather than simply throwing technology at the problem.

As restaurants continue to raise menu prices and scale back on service, they may be following a recipe for disaster: Nobody likes paying more for less. In an interview with PYMNTS, Bill Fultz, vice president of point of sale at Heartland, a Global Payments company, explained that this dynamic is already starting to give consumers pause.

“Consumers are being asked to pay more with less of an experience around it, and we see now that consumers are questioning, ‘Why am I even here? Why am I paying a premium when I’ve got one person trying to serve an entire dining room?’”
Insider POV

Fultz does not fault restaurant owners for this dynamic, as their hands are tied by external conditions. Indeed, PYMNTS found that 76% of restaurant managers viewed staff stability as necessary to a successful business, while almost half had encountered challenges to hiring and staff retention — illustrating that staffing shortages are an imposition, not a decision.

Technology is a part of the solution, but only a part. According to Fultz, restaurants need to do more than simply follow the COVID-19 playbook of using technology to handle the crisis — they need to meet customers where they are.

There are generational, demographic and individual differences between consumers’ payment preferences that restaurants should be mindful of when rolling out new solutions. For example, some customers may love ordering with mobile apps, while others may refuse.

The type of restaurant is also important. Fultz explained that a fine-dining establishment, for example, may not derive much value from enhanced digital ordering capabilities, as the draw for customers is the in-person dining experience.

Moreover, technology, even when adopted at the intended levels, can sometimes have unintended consequences. He recounted a recent conversation with a merchant who rolled out contactless payment options that became popular among customers. However, younger generations, freed from face-to-face interactions, were using the technology to tip less, which made it harder for the merchant to retain staff.

Overall, it is a complicated situation — but there is good news, said Fultz. It is easier than ever for restaurateurs to communicate directly with their customers and learn their unique needs.

“It’s really about figuring out how the customer wants to buy, and meeting them in that experience. Sometimes that’s through technology, and sometimes [it’s through] some more traditional practices.”
Innovation Will Stay on the Menu

The food services industry has a bright future, even if present conditions are challenging. Driven by consumers’ craving for convenience, the global quick-service restaurant (QSR) market is expected to grow by 3.65% between 2022 and 2030 to reach $603.3 billion. Similarly, the global online on-demand food delivery services market is expected to expand at a compound annual growth rate of 24.64% to exceed $266 billion by 2027. To make the most of these opportunities, restaurants will want to continue embracing technology to offer an array of digital and traditional services.

Restaurant operators are focusing on how to use technology to give guests great experiences with greater efficiency. They are adopting digital payments solutions like Resy Pay, which allows guests to split and pay their check from their phones, reducing time spent manually processing cards.

AVERY NEWCOMB
Chief operating officer
About

PYMNTS® is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

American Express is a globally integrated payments company, providing customers with access to products, insights and experiences that enrich lives and build business success. Learn more at americanexpress.com, and connect with us on Facebook, Instagram, LinkedIn, Twitter and YouTube.

Key links to products, services and corporate responsibility information: personal cards, business cards, B2B supplier center, travel services, gift cards, prepaid cards, merchant services, Accertify, Kabbage, Resy, corporate cards, business travel, diversity and inclusion, corporate responsibility and Environmental, Social and Governance reports.

We are interested in your feedback on this report. If you have questions or comments, or if you would like to subscribe to this report, please email us at feedback@pymnts.com.

Disclaimer

The B2B and Digital Payments Tracker® Series may be updated periodically. While reasonable efforts are made to keep the content accurate and up to date, PYMNTS MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, REGARDING THE CORRECTNESS, ACCURACY, COMPLETENESS, ADEQUACY, OR RELIABILITY OF OR THE USE OF OR RESULTS THAT MAY BE GENERATED FROM THE USE OF THE INFORMATION OR THAT THE CONTENT WILL SATISFY YOUR REQUIREMENTS OR EXPECTATIONS. THE CONTENT IS PROVIDED "AS IS" AND ON AN "AS AVAILABLE" BASIS. YOU EXPRESSLY AGREE THAT YOUR USE OF THE CONTENT IS AT YOUR SOLE RISK. PYMNTS SHALL HAVE NO LIABILITY FOR ANY INTERRUPTIONS IN THE CONTENT THAT IS PROVIDED AND DISCLAIMS ALL WARRANTIES WITH REGARD TO THE CONTENT, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND TITLE. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES; AND, IN SUCH CASES, THE STATED EXCLUSIONS DO NOT APPLY. PYMNTS RESERVES THE RIGHT AND SHOULD NOT BE LIABLE SHOULD IT EXERCISE ITS RIGHT TO MODIFY, INTERRUPT, OR DISCONTINUE THE AVAILABILITY OF THE CONTENT OR ANY COMPONENT OF IT WITH OR WITHOUT NOTICE.

PYMNTS SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, AND, IN PARTICULAR, SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFITS, LOSS OF REVENUE, OR LOSS OF USE, ARISING OUT OF OR RELATED TO THE CONTENT, WHETHER SUCH DAMAGES ARISE IN CONTRACT, NEGLIGENCE, TORT, UNDER STATUTE, IN EQUITY, AT LAW, OR OTHERWISE, EVEN IF PYMNTS HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

SOME JURISDICTIONS DO NOT ALLOW FOR THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, AND IN SUCH CASES SOME OF THE ABOVE LIMITATIONS DO NOT APPLY. THE ABOVE DISCLAIMERS AND LIMITATIONS ARE PROVIDED BY PYMNTS AND ITS PARENTS, AFFILIATED AND RELATED COMPANIES, CONTRACTORS, AND SPONSORS, AND EACH OF ITS RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, CONTENT COMPONENT PROVIDERS, LICENSORS, AND ADVISERS.

Components of the content original to and the compilation produced by PYMNTS is the property of PYMNTS and cannot be reproduced without its prior written permission.

The B2B and Digital Payments Tracker® Series is a registered trademark of What’s Next Media & Analytics, LLC ("PYMNTS")